



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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## **COMMISSION APPROVES DEUTSCHE BANK SETTLEMENT AGREEMENT** Arizona to receive \$454,619

PHOENIX – The Arizona Corporation Commission today approved a settlement with Deutsche Bank Securities, Inc., which represents the eleventh settlement involving Wall Street analyst conflict of interest cases. Arizona will receive a total of \$454,619 in fines to be deposited in the state's General Fund as a result of this order. This money represents Arizona's pro-rata share of a settlement negotiated by state and federal regulators and the District of Columbia.

The investigations focused on whether research analysts misled investors by entering into arrangements that conflicted with their ability to do independent research and offer impartial recommendations. Regulators found that Deutsche Bank either omitted material facts or provided exaggerated claims in its stock research reports. Regulators also determined that Deutsche Bank compensated its research analysts based in part on the analysts' contribution to investment banking revenues. Investment banking interests also played a role in determining which companies would be covered by the firm's analysts and which would be dropped.

During the investigation, regulators discovered that not all of the firm's e-mails were submitted as requested. Although the requested e-mails were eventually submitted, Deutsche Bank's failure to maintain archives of its e-mail for the required three-year time period resulted in an additional penalty of \$7.5 million. Deutsche Bank delayed the investigation for more than a year by failing to produce the e-mails in a timely fashion.

"Our agency has approved this and 10 other settlements involving the biggest names on Wall Street," said Commission Chairman Jeff Hatch-Miller. "When the Deutsche Bank penalty is paid later this week,

Arizona will have received a total of \$7.437 million in penalties.”

“Similar to the 10 prior analyst conflict cases, Deutsche Bank agreed to implement significant reforms to its stock research practices,” Commissioner Marc Spitzer said. “These reforms are intended to restore investors’ faith that the recommendations and analysis these firms issue is honest, accurate and free of outside influence.”

In part, these reforms include:

- Disclosing on research reports any investment banking compensation the firm received or expects to receive from the companies covered,
- Separating compensation for research analysts from the firm’s investment banking business,
- Prohibiting investment bankers from influencing analysts’ compensation,
- Establishing a Research Recommendations Committee to ensure the veracity of stock research recommendations,
- Prohibiting all employees from promising or implying that a recommendation would be made in exchange for the firm being awarded an investment banking transaction, and
- Designating a compliance monitor who will ensure compliance with the agreement and be available to research analysts who feel undue influence or pressure from any source.

“In some cases, Deutsche Bank promised to provide favorable research coverage to potential investment banking clients,” Commissioner Bill Mundell said. “Investors rely on this information to make important decisions that affect their financial health. I hope Wall Street now ‘gets it’ and knows that we will be keeping an eagle’s eye on what they do so investors are never misled again.”

“It is astonishing to me that investigators found that Deutsche Bank analysts had personal knowledge of and access to information that contradicted the recommendations given to investors,” Commissioner Kris Mayes said. “It’s unacceptable and hopefully this order will prevent future abuses of investor trust.”

Under the agreement, an additional \$39,532 is earmarked for investor education in Arizona. This brings the total funding dedicated to educating Arizona investors to nearly \$475,000. The money flows into an Investor Education Fund to be administered by a nonprofit organization. The funds will be used to develop and promote programs aimed at equipping people with knowledge and skills to make informed investment decisions.

The Commission approved Arizona's participation in the settlement agreement in light of the significant changes Deutsche Bank is making to its research practices as well as the savings Arizona will realize by not having to duplicate the investigative and enforcement efforts already undertaken by other jurisdictions.

"The most destructive part of the securities scandals was the loss of confidence in the market," Commissioner Mike Gleason said. "Let's hope these changes remedy the problem and restore investor trust in the securities industry."

To read about Commission actions against other Wall Street brokerage firms or to learn about enforcement actions by the Commission, view the "Hot Off the Presses" section of [www.azinvestor.gov](http://www.azinvestor.gov). Investors can find a variety of helpful brochures and tips on wise investing at the same website's Investor Info Center. To call the Commission's Securities Division, dial 602-542-4242 or toll free, 1-866-VERIFY-9.

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